



SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2006, which collectively comprise the state's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the state's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Missouri Department of Transportation, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, the Transportation Self-Insurance Plan, and the Conservation Employees' Insurance Plan, which represent 79 percent and 12 percent of the assets and revenues, respectively, of the governmental activities. We did not audit the financial statements of the State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 34 percent and 60 percent of the assets and revenues, respectively, of the business-type activities. We did not audit the financial statements of the component units. We did not audit the financial statements of the pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 95 percent and 98 percent of the assets and additions, respectively, of the fiduciary funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to these amounts, are based on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall

financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

We were not allowed access to tax returns and related source documents for income taxes. Access was denied by the Director of Revenue based on her interpretation of the decision rendered by the Missouri Supreme Court in the case of Director of Revenue v. State Auditor 511 S.W.2d 779 (Mo. 1974). Approximately 28 percent of governmental activity revenues are from this source. We were unable to satisfy ourselves by appropriate audit tests or other means as to the income tax revenue beyond the amounts recorded.

In our opinion, based on our audit and the reports of other auditors, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been allowed access to tax returns and related source documents for income taxes, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*; Statement No. 44, *Economic Condition Reporting: The Statistical Section*; and Technical Bulletin No. 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*. In addition, the state of Missouri will no longer present the agency funds State Retirement Contributions, Missouri State Employees' Deferred Compensation Incentive Plan Administration, and Missouri Consolidated Health Care Plan Benefit. Also, the state of Missouri will no longer discretely present the component units Fulton 54 Transportation Corporation, Missouri Highway 179 Transportation Corporation, Missouri Highway 63 Transportation Corporation, Springfield, MO State Highway Improvement Corporation, and Wentzville Parkway Transportation Corporation.

In accordance with *Government Auditing Standards*, our report on our consideration of the state of Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters is issued under separate cover in the Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the

United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, and except for the effects, if any, of the matter discussed in paragraph three, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information in the introductory section and statistical section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

January 31, 2007